

CITY OF BRADGATE

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
APRIL 1, 2015 THROUGH MARCH 31, 2016**

Table of Contents

	<u>Page</u>
Officials	3
Independent Accountant's Report on Applying Agreed-Upon Procedures	4-5
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A 6
Deposits and Investments	B 6
Clerk's Report	C 6
Electronic Check Retention	D 7
Certified Budget	E 7
Annual Financial Report	F 7
Chart of Accounts	G 7
Bank Reconciliations	H 7
Payroll	I 8
City Council Minutes	J 8
Business Transactions	K 8
Local Option Sales Tax	L 9

City of Bradgate

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Allan Brandoiij	Mayor	Jan 2018
Kim Schultz	Council Member	Jan 2018
Nancy Johansen	Council Member	Jan 2018
Joe Hernandez	Council Member	Jan 2018
Stephanie Swan Johansen	Council Member	Jan 2018
Karsten Weinert	Council Member	Jan 2018
Ami Wells	City Clerk	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Bradgate for the period April 1, 2015 through March 31, 2016. The City of Bradgate's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.

8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Bradgate, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Bradgate and other parties to whom the City of Bradgate may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Bradgate during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co, PLC
Des Moines, Iowa

July 8, 2016

CITY OF BRADGATE

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Investing – recordkeeping, investing, custody or investments and reconciling earnings.
3. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
4. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
5. Debt – recordkeeping, compliance and debt payment processing.
6. Payroll – recordkeeping, preparation and distribution.
7. Financial reporting – preparing and reconciling.
8. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12.B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12.C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12.B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12.C.2 of the Code of Iowa.

- (C) Clerk's Report – Although monthly Clerks' reports are prepared, a budget vs actual comparison was not present. Also the CDs and Fire Department savings account are not included in the Clerk's Report.

Recommendation – The City should establish procedures to ensure the monthly Clerk's reports include a budget vs actual comparison and that all City funds are included in the report.

CITY OF BRADGATE

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (D) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (E) Certified Budget – The budget amendment was not posted and there were no public hearings held in accordance with Chapter 384.16 of the Code of Iowa.

Recommendation – The budget should have been amended in accordance with Chapters 384.16 and 384.18 of the Code of Iowa.

- (F) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures, the current public debt of the City..." The City's Annual Financial Report does not include the activity of fund balances of the Fire Department.

Recommendation – The City should ensure all amounts included in future Annual Financial Reports are supported by the amounts recorded in the City's records.

- (G) Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation – To provide better financial information and control, the COA, or its equivalent, should be followed.

- (H) Bank Reconciliations – Although monthly bank reconciliations were performed, the reconciliations did not include the savings and investment accounts.

Recommendation – The City should establish procedures to ensure bank account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

CITY OF BRADGATE

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (I) Payroll – The Mayor and Council pay was not established by ordinance, as required by Chapter 372.13(8) of the Code of Iowa.

Recommendation – As required by Chapter 372.13(8) of the Code of Iowa, the Mayor's and Council's wages should be established by ordinance. Additionally, the City Council should update the ordinance authorizing the wages for the Mayor Pro-tem.

- (J) City Council Minutes – The following were identified:

- All four City Council meetings tested were not signed as required by Chapter 380.7 of the Code of Iowa.
- Chapter 372.13(6) of the Code of Iowa requires the minutes of all City Council proceedings to include total disbursements from each fund, a summary of all receipts and a list of approved claims. We noted that these requirements were not met by the City for some meetings tested.

Recommendation – The City should comply with the Code of Iowa and post total disbursements from each fund, summary of all receipts and the list of approved claims as required. Also, the minutes record should be signed to authenticate the actions taken, as required.

- (K) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Allan Brandhoij, Mayor Owner of Brandhoij Construction	Rock and hauling	\$1,895

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions with Allan Brandhoij do not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year.

CITY OF BRADGATE

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (L) Local Option Sales Tax – The local option sales tax (LOST) ballot for Humboldt County could not be located by Humboldt County or by City officials. During the year, LOST receipts were recorded in the General Fund.

Recommendation –The City should consult with legal counsel to determine how to account for the LOST monies received from Humboldt County.